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ABSTRACT

The Long-Range Financing Task Force of the Corporation for Public Broadcasting estimates that a capital investment of $534 million will be necessary to provide public broadcasting coverage to 90 percent of the population. This assumes that the federal share of capital expenses will be nearly 50%. Operating costs for a fully developed system will require $475 million annually with the federal government contributing $166 to $237.5 million of that. The system, under this funding arrangement, would include state and regional networks, the national libraries, station-affiliated and independent producers, and experimental centers. In order to reach these estimates the Task Force recommends adhering to 12 principles which review the balance of federal and non-federal funding, the long-range planning, and the necessity of underwriting the system. The success of the existing funding plans anticipates partial reliance on general tax revenue, sales from satellite systems, and an implementation of matching-funds systems. (MC)

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REMARKS BY JOSEPH D. HUGHES,
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AND CHAIRMAN, LONG-RANGE FINANCING TASK FORCE
AT THE 48TH ANNUAL CONVENTION OF THE
NATIONAL ASSOCIATION OF EDUCATIONAL BROADCASTERS
LAS VEGAS, NEVADA
October 30, 1972

It is a great pleasure to be here today, to report to you on the activities of the Long-Range Financing Task Force.

The attainment of adequate and reliable financing is, as you well know, the major step necessary to achieve a secure future for public broadcasting, and I consider it an honor to chair the system-wide group that is striving for this goal.

All of us, I think, have a tendency to forget -- so fast do events move in this endeavor -- how far we have come in four years. I can say without qualification, as one who has sat on the CPB Board since its first meeting, that much of this progress would not have come about were it not for the total dedication -- and the long hard hours of work -- of Frank Pace and John Macy. This is not, however, a goodbye to these gentlemen. Both men have earned and well deserve our hearty applause and your best wishes.

Since its formation, the Task Force, which is composed of 14 representatives of all segments of our industry and is a true system-wide body, has held three full meetings, and the bridge between these sessions has been occupied by numerous individual

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discussions and intensive staff study. In addition, the Task Force has benefited from the advice and participation of staff members from NAEB, PBS, NPR, CPB, the Advisory Committee of National Organizations and The Office of Telecommunications Policy. We have reached out to many other sources for assistance, but we consider your help -- in the form of advice, comment and criticism -- to be most important. We hope you will give freely of this tomorrow. No one has lived longer with the consequences of lack of adequate financing than you, and it is you who will have to bear the results of our labor. Therefore, your assistance at this important juncture is crucial. And I would remind you that if you cannot testify, the written record of these hearings will be held open for two weeks following tomorrow's meeting, and your contribution is welcomed.

Much study and deliberation on the subject of long-range financing has preceded the formation of the Task Force. Therefore, you may well ask why the Task Force is needed.

The answer is simple: No previous group has succeeded in providing a final solution to this problem, and therefore reexamination of the entire subject is needed.

Moreover, I believe one reason we have not moved on this front has been the failure to develop a plan having full industry backing. The development of such an industry-supported plan is the Task Force's primary goal.

Let me assure you that the efforts of the Task Force have the complete endorsement of both the CPB Board and its officers. Before this convention ends, you will hear firsthand from Thomas Curtis, the Board Chairman, and Henry Loomis, the President of CPB. But let me say, in the way of introduction, that both gentlemen strongly believe in the necessity of long-range financing -- and its achievement at the earliest opportunity. Their feeling is shared by the entire CPB Board, which unanimously voted at its October 12 meeting to re-affirm its previous authorization for the Task Force to proceed as expeditiously as possible to develop a plan to solve the problem of total funding.

At the outset, we recognized that the vast potential of the system for serving the special educational needs has yet to be fully realized. Our Task Force has not, however, addressed itself to that part of the system.

We all recognize that public broadcasting needs more money. But how much more, when and, most importantly, for what purpose? These are some of the questions which the Task Force is attempting to answer.

We are fortunate in having a compilation of statistical information with which to attempt to answer these and other questions. For the CPB annual surveys, into which all stations have put so much work, are rapidly producing an excellent data system, as the recently released book on PTV Broadcast and

Production Statistics indicates. We are also grateful for the ETS survey, now in your hands, seeking station projections of income and expenses. It will, we are confident, yield valuable data. Further, such studies as the Schramm-Nelson Report are also valuable and add to an overall understanding of the needs of public broadcasting.

And as for solutions, let me hasten to say that the Task Force has not yet reached any conclusions. The Task Force has, however, begun to narrow the field, putting aside -- at least for now -- some past proposals that it seems fruitless to pursue in favor of some approaches that seem closer to realistic achievement.

In this presentation, let me discuss first the problem we mutually face, some of the relevant facts and then some possible solutions.

To begin with, the problem itself is not as clear and defined as some may assume.

We have, for example, tended to look at foreign systems as possible models to solve our problems. By and large, however, the differences between those systems and ours loom larger than the similarities, and when we factor in the social, cultural, historic and political differences between our country and others, we must conclude that these models are not too helpful.

We tend to forget that the BBC was the first broadcast system in Great Britain and that its inception,

the British agreed to a monthly set ownership fee. In contrast, we are dealing with a population that has come, after 50 years of experience, to think of broadcasting as a free medium, and a monthly fee would be strongly resisted in this country. The same situation holds in Japan, where NHK is also operated chiefly on funds supplied by subscribers -- some 22 million of them paying about $1.30 a month. Nor can we find in Australia or Canada an appropriate model for our financing.

Another difference of the utmost importance is that diversity is a trademark of our system, while other countries operate under far more centralization. Our system is not only composed of independent licensees, but of varied license holders with different commitments and priorities.

American Public Broadcasting is unique -- and this uniqueness turns away easy answers. For example, while we all agree that public broadcasting needs more money, we have lacked a precise knowledge of exactly what our needs are. The Task Force tackled this question as one of its first duties. We requested and got projections of activities and costs from ETS, PBS, NPR, USOE and NER. We analyzed the data stations provided us through the annual surveys.

I would stress that our projections are preliminary and reflect an ideal system. More refining and confirmation are needed. Yet, because this statement of our needs is so essential to our

endeavor, these calculations are worth discussing, even in rough form.

The Task Force made several assumptions in developing its figures: First, we decided to project a system that would provide 90 percent coverage of our national population. While the Public Broadcasting Act of 1967 articulates public broadcasting's ultimate mission as reaching all the people, the cost of reaching the additional 10 percent would be prohibitive -- both in absolute terms and on a per-person-reached basis -- as to be prohibitive. One study, in fact, indicates that to reach this last 10 percent would double the cost of the entire system. Also, we recognize that cable and satellite systems may be servicing this remaining 10 percent segment.

Our second assumption was to use a range of 35 to 50 percent as the proportion of our operating needs that could be covered by Federal dollars in this ideal system. We assigned this percentage range in the belief that it represented a proper Federal share, yet would not constitute undue influence or control.

Third, on the capital side, we also used a 50 to 75 percent figure as the share of support that might appropriately come from the Federal sector. This decision, however, was not subjective, but rather was based on the Office of Education's estimate of actual experience to date.

Using these assumptions, the Task Force arrived at the following preliminary projections:

1. We estimate that the total capital investment required to achieve 90 percent coverage in both radio and television is

$534 million. Our system's actual capital expenditures through FY 1972 amounted to approximately $230 million, which would mean that an additional $304 million would be needed to bring the system to its ideal form over a period of years. Additionally, we calculate that $70 million would be needed annually to overcome depreciation and maintain this system.

2. Using the 50 percent assumption, the Federal share of capital expenses would thus be $152 million to establish a "90 percent system," with $35 million being necessary annually to overcome depreciation.

3. We estimate total operating costs for this ideal, fully developed system (both radio and TV) at $475 million annually. Using the 35 - 50 percentage range, this would necessitate an annual Federal contribution of $166 to $237.5 million. In actual income, the industry operated on $134 million in FY 71.

These calculations, I should note, take into account the projected needs of not only all that would be required to achieve 90 percent coverage, but also the state and regional networks, the national libraries, PBS and NPR, CPB, station-affiliated national producers, independent national producers and experimental centers. Obviously, many assumptions had to be made about the activities of all these entities and the costs these activities would entail. Nonetheless, we feel we are on the track of providing acceptable projections, based on sound data.

It is interesting to note that the total of these new estimated costs is about in line with estimates made five years ago by the Carnegie Commission when adjusted for inflation.

These calculations demonstrate the magnitude of the financial task facing us. Obviously, there is a large gap to be filled.

We can take some comfort, small though it be, in the rate of increase in CPB's appropriations--that amount having started at $5 million in 1969 and rising in successive stages to $15 million, $23 million and $35 million to the proposed $45 million. From 1963, through 1971, the Office of Education supplemented the system's capital expenditures with $53.6 million.

So the task is immense, and the question is how do we begin to achieve our goals?

At this point in its deliberations, the Task Force has not reached a solution. We have, however, reached tentative agreement on 11 principles which we think should be reflected in any final recommendation. Let me recite these principles:

1. The principal share of the operating expenses of public broadcasting should continue to come from non-Federal sources. But it is entirely appropriate and necessary that Federal funds be a part of a total financing plan.

2. The Federal contribution should be designed in such a way as to provide incentives for increasing non-Federal financing.

3. Financing of public broadcasting should not impose unreasonable burdens upon any segment of the economy but rather should be designed so that those who benefit -- essentially the public at large -- should pay.

4. If Federal funds are appropriated in whole or in part by a matching system, a portion of those funds should be returned

to the stations on an equitable basis which reflects local effort.

5. If Federal funds are appropriated, there will need to be accountability to the Congress in the use of these funds.

6. The need for insulation against undue pressures from whatever source is particularly important with respect to the financing of national programming.

7. Long-range planning, which is based on a reasonably assured level of future funding, is essential to a viable public broadcasting industry capable of producing high-quality services and programs, locally and nationally.

8. The financing of facilities is as urgent as the financing of operating expenses, and the funding level must be increased to meet system needs.

9. It is both appropriate and vital that private underwriting of local and national program costs continues as an important method of financing.

10. The development of a plan for the system's growth, the strengthening of local planning and management capabilities and the setting of priorities which can be translated into specific local and national objectives are all essential to the achievement of long-range financing.

11. The development of a strong and effective public broadcasting industry requires that the Corporation for Public Broadcasting continue to play a leadership role as envisioned in the Public Broadcasting Act of 1967.

A twelfth point, which has not been formally articulated by the Task Force but in which I am sure all members would concur,

is that any long-range financing plan should be flexible enough to permit participation in cable, satellites and the new technologies generally, especially since involvement in the new technology potentially holds promise as a financial supplement.

Most of these points speak for themselves, but one, in particular, deserves emphasis, namely the subject of accountability. So long as we are receiving and spending Federal funds, the Congress and the public have a right to a full and complete accounting of the use of these funds.

As to the specific funding plans, we have examined many. They include:

* A dedicated excise tax on the sale of radio and TV receivers.

* A tax on commercial radio and TV station gross revenues or advertising revenues.

* A tax on CATV subscription revenues or net revenues.

* A charge on commercial broadcasters for access to the broadcast spectrum.

* A setting aside of a portion of the income taxes paid by commercial radio, television and cable TV operators.

* A dedicated excise tax on residential electric or telephone bills.

* Proceeds from the profits of operating a domestic satellite system.

* A "user charge" to be paid by families owning radio or Tv sets.

* General tax revenues based on a statutory formula and legislated on either a permanent or multi-year authorization and appropriations basis.

* A direct matching plan, such as one by which the Federal Government would provide a specified match for every dollar raised by the system from non-Federal sources.

* And finally, the possibility of the sale of Federally guaranteed bonds that would produce supplementary revenue.

I should note, too, that the Task Force has discussed Hartford Gunn's thoughtful Station Program Finance Plan and will be considering other fund distribution plans. While the Task Force's first priority is to develop a plan for adequate funding, that attainment and distribution of funds are closely related.

All of these plans are under consideration; none has been discarded. Yet, in recognition of the great reluctance of Congress to enact dedicated taxes for any purpose, such plans do not seem feasible, at least at this time.

Consequently, most of the Task Force's attention has focused on the last three proposals -- namely, general tax revenues on a multi-year basis, a matching plan, and bond sales to the public.

This bond-sale idea is the newest to come to our attention and has not yet received full study. It may have application, especially in the financing of facilities. At its last meeting, the Task Force authorized the staff to go forward with such a study and we are awaiting its results.

My sense of the Task Force is that it looks with a good deal of interest on some form of matching under a specific statutory formula. Under this concept there would be an automatic annual request for appropriations out of general revenues. This request

would be made under the umbrella of a possible five-year authorization with a statutory matching formula.

There are endless varieties of matching which could be adopted. The Station Governing Board Chairmen, for example, have suggested a simple plan of 50 Federal cents for each non-Federal dollar in the system. This and other variations are under careful study and we hope to reach agreement on a plan of financing by the end of this year.

The great merit in a matching plan lies in the incentive it provides for increased non-Federal support. Further, as we all know, matching has already been a feature of our Federal funding and it is a method that has already won endorsement by many in Congress and the Administration.

So this is where we are: Still without any final recommendations, but hot in pursuit of them.

In conclusion, I would reiterate that it is up to you, who have labored so hard and so long for public broadcasting, to join in the work of the Task Force. I would also repeat that the Task Force is not a body that belongs to CPB or any other organization. It is an all-industry body whose assignment is to develop an acceptable plan for financing of the entire system.

I hope you will begin your role by taking an active part in our hearings tomorrow and that you will continue your active interest and participation until we achieve our objective.